

August 23, 2021

# Weekly Viewpoint

## All Eyes on Jackson Hole Meeting

### Performance for Week Ending 8.20.2021

The Dow Jones Industrial Average (Dow) finished off 1.1%, the Wilshire 5000 Total Market Index<sup>SM</sup> (Wilshire 5000<sup>SM</sup>) lost 1.01%, the Standard & Poor's 500 Index (S&P 500) fell 0.59% and the Nasdaq Composite Index (NASDAQ) dipped 0.71%. Sector breadth was mixed with 5 of the S&P sector groups closing higher and 6 closing lower. The Utilities sector (+1.80%) led on the upside while the Energy sector (-7.33%) was the biggest loser.

Index*	Closing Price 8/20/2021	Percentage Change for Week Ending 8/20/2021	Year-to-Date Percentage Change Through 8/20/2021
Dow	35120.08	-1.11%	+14.75%
Wilshire 5000	45908.66	-1.01%	+16.35%
S&P 500	4441.67	-0.59%	+18.25%
Nasdaq	14714.66	-0.71%	+14.17%

### Market Observations: 8/16/21–8/20/21

After hitting a new all-time high early in the week, the S&P 500 finished the week lower on building fears the uptick in coronavirus cases could throw sand in the gears of the current economic recovery. Adding to the negative tone was concern the Federal Reserve could begin rolling back its stimulus efforts. According to the release of the July FOMC meeting minutes, there is a growing desire to being tapering bond buying activity later this year, although the timing and process still appears subject to debate. The minutes showed that “various participants” said that economic and financial conditions would warrant a reduction of the \$120 billion monthly pace “in coming months.” While “several others” viewed a reduction as “more likely to become appropriate early next year” because the labor market had not met their standard of substantial further progress.

Investors could get some additional clarity on the situation at this week's Fed gathering in Jackson Hole, WY. The Jackson Hole meeting has been used in the past to announce changes in the Fed's policies. However, the late-week announcement that Fed Chair Powell will only attend the meeting virtually, seemed to downplay the importance of his speech as well as the broader event. Powell may be hesitant to announce any changes in policies due to the recent surge in Covid cases, the mixed nature of recent economic data, and the weakening in oil and other commodity prices. According to the FOMC minutes, "most participants judged that the Committee's standard of 'substantial further progress' toward the maximum-employment goal had not yet been met" while "at the same time, most participants remarked that this standard had been achieved with respect to the price stability (inflation) goal." This statement underscores the importance of employment getting back on track, which may require at least a couple more monthly payroll reports before Chairman Powell will put in place a definitive timeline for a pullback in the Fed's easy monetary policies.

**Q2 EPS Season - Wrapping Up:** While there will be a few stragglers over the coming weeks, second quarter earnings season has essentially wrapped up. Through Friday 475 members of the S&P 500 have released results with just over 85% surprising to the upside. Aggregate earnings are currently up almost 94% on a year-over-year basis, on target with current analysts' expectations. Sector-wise the biggest upside surprises were logged by Financials, Communication Services, and Consumer Discretionary. In terms of year-over-year growth, the biggest gainers were Consumer Discretionary, Industrials, Financials, and Materials. The strong overall second quarter results have led to a sharp upward revision to the consensus forecast for 2021 earnings, which now stands at \$199.20, up from \$172.90 at the end of March.

**Bullish Narrative Intact:** As we look out over the remainder of the year, our favorable view on the equity market remains intact. While second half gains are unlikely to be as robust as what we saw during the first six months of the year, we feel the supportive macro environment should continue to provide a sturdy backbone for additional upside. The US economy continues to recover, and growth is expected to remain solid over the remainder of the year. The US consumer is in good shape and savings rates have become very elevated, suggesting that as consumers become more comfortable with the economic recovery, pent up demand will be unleashed. Earnings expectations also continue to trend higher. Based on consensus expectations from Bloomberg, earnings are forecast to grow by over 44 percent this year followed by over 9 percent growth in 2022 and just under 10% in 2023. As we maneuver the seasonally difficult period for the markets, a near-term period of consolidation cannot be ruled out. If a pullback were to occur in the months ahead, we would view it as a healthy correction and not the start of a broader move lower. Hence, periods of weakness would be viewed as buying opportunities.

**The Week Ahead:** The key event in the week ahead will be the Kansas City Fed's annual gathering in Jackson Hole, Wyoming, where numerous policymakers including Fed Chair Powell are set to discuss economic policy. All eyes will be focused on Fed Chairman Powell who is scheduled to present virtually on Friday morning. The event will commence Thursday and end Saturday, with the topic this year being "Macroeconomic Policy in an Uneven Economy". Highlights of the data calendar include the Markit Manufacturing PMI for August, July existing home sales, new home sales during July, durable goods orders

for July, initial jobless claims, the second estimate on Q2 GDP, personal income and spending during July and the University of Michigan sentiment data. Second quarter earnings season continues to wind down with 12 members of the S&P 500 scheduled to release results. On the political front, the focus will return to the Biden administration's economic agenda as the US House returns from recess.

## Definitions

**The Dow Jones Industrial Average** is a price-weighted average of 30 blue-chip stocks that are generally defined as the leaders in their industry. It has been a widely followed indicator of the stock market since October 1, 1928.

**Wilshire 5000 Total Market Index<sup>SM</sup>** represents the broadest index for the U.S. equity market, measuring the performance of all U.S. equity securities with readily available price data. The index is comprised of virtually every stock that: the firm's headquarters are based in the U.S.; the stock is actively traded on a U.S. exchange; the stock has widely available pricing information (this disqualifies bulletin board or over-the-counter stocks). The index is market cap weighted, meaning that the firms with the highest market value account for a larger portion of the index.

**Standard and Poor's 500 Index** is a capitalization-weighted index of 500 stocks. The index is designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.

**The Nasdaq Composite Index** is a broad-based capitalization-weighted index of stocks in all three NASDAQ tiers: Global Select, Global Market and Capital Market. The index was developed with a base level of 100 as of February 5, 1971.

*This material contains opinions of the author, but not necessarily those of Guggenheim Partners, LLC or its subsidiaries. The opinions contained herein are subject to change without notice. Forward looking statements, estimates, and certain information contained herein are based upon proprietary and non-proprietary research and other sources. Information contained herein has been obtained from sources believed to be reliable, but are not assured as to accuracy. Past performance is not indicative of future results. There is neither representation nor warranty as to the current accuracy of, nor liability for, decisions based on such information. No part of this material may be reproduced or referred to in any form, without express written permission of Guggenheim Partners, LLC.*

Guggenheim Investments represents the following affiliated investment management businesses of Guggenheim Partners, LLC: Guggenheim Partners Investment Management, LLC, Security Investors, LLC, Guggenheim Funds Investment Advisors, LLC, Guggenheim Funds Distributors, LLC, GS GAMMA Advisors, LLC, Guggenheim Partners Europe Limited and Guggenheim Partners India Management. **Securities offered through Guggenheim Funds Distributors, LLC, an affiliate of Guggenheim, SI, GFIA and GPIM.**

© 2021 Guggenheim Investments. All rights reserved

#49435